

COUNCIL REPORT



CITY OF MOUNTAIN VIEW

AGENDA: June 12, 2012

8.1

CATEGORY: New Business

DEPT.: City Manager/Human Resources

TITLE: Memorandum of Understanding with the International Association of Firefighters (IAFF), Local 1965

RECOMMENDATION

Adopt A RESOLUTION AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO AMEND THE MEMORANDUM OF UNDERSTANDING BETWEEN THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS (IAFF), LOCAL 1965, AND THE CITY FOR THE PERIOD OF JULY 1, 2012 THROUGH JUNE 30, 2015 AND TO REVISE THE CITY'S SALARY PLAN TO REFLECT THESE COMPENSATION CHANGES, to be read in title only, further reading waived (resolution to be provided prior to the meeting).

FISCAL IMPACT

One key component of the budget-balancing strategy for Fiscal Year 2012-13 is an employee compensation cost-containment target of \$600,000 in structural or ongoing savings. IAFF's share of this target was set at \$165,335. The recommended amendments to the Memorandum of Understanding (MOU) with IAFF exceed this target amount for Fiscal Year 2012-13 and achieve an estimated \$250,000 to \$550,000 in structural compensation cost containment over the three-year term of the agreement. The range of structural savings depends on whether the City migrates to the CalPERS Health System for IAFF Local 1965, in which case their temporary employee contributions to the Retirees' Health Trust would become an ongoing structural contribution. Migration to the CalPERS Health System may also result in lower City costs for health premiums in the short term. However, the full short- and long-term financial impact of this transition under consideration is subject to the CalPERS Health System Study planned for Fiscal Year 2012-13.

BACKGROUND AND ANALYSIS

The current MOU with IAFF (July 1, 2007 to June 30, 2011) and a one-year extension by side letter agreement will expire June 30, 2012. City management representatives began meeting with representatives of IAFF Local 1965 in March 2012 to negotiate a new agreement. The new three-year agreement (July 1, 2012 to June 30, 2015) represents an effort between the parties to maintain a compensation and benefit package for IAFF Local 1965 members that is financially sustainable for the City. IAFF has worked with the City in the past to ensure that the City's retirement benefit costs were controlled by their members contributing additional portions of their salaries to fund employer pension costs. Currently, their members contribute the normal employee contribution of 9.0 percent of salary as well as an ongoing

4.366 percent of salary. Since Fiscal Year 2010-11, they have been contributing on a temporary basis an additional 3.2 percent of salary. In total, their members currently contribute 16.566 percent of their salaries toward their pensions, 3.2 percent of which is due to expire June 30, 2012. The new agreement will help to ensure the financial sustainability of retirement benefits by making permanent and ongoing 2.0 percent of the 3.2 percent cost share that was previously temporary, and potentially making the remaining 1.2 percent of temporary cost share a permanent and ongoing contribution from the employee toward the Retirees' Health Trust. The fate of this 1.2 percent of salary cost share will depend on whether the parties mutually agree to migrate IAFF members to the CalPERS Health System following a study of that system to be conducted jointly by the parties during Fiscal Year 2012-13.

In the new agreement, IAFF also supports structural changes to the City's medical insurance plans and to vacation benefits. These changes are similar to those made by other employee groups last fiscal year.

The proposed changes to the MOU are detailed in the resolution (to be provided prior to the meeting). The following information summarizes the changes.

Term: Three years—July 1, 2012 to June 30, 2015.

Medical Benefits: HMO medical insurance plans available to IAFF members will now include a \$10 copay for office visits as well as other minor health plan design changes. The City also anticipates offering a high-deductible health plan (HDHP) to all employees in addition to the HMO and PPO plans currently provided. The HDHP has significantly lower premium costs, and the City would make contributions to the employee Health Savings Account for employees who voluntarily choose to join the HDHP.

COLA: In the third year of the agreement, IAFF members would receive a 2.0 percent cost-of-living adjustment (COLA). This salary increase is built into future budget projections.

PERS Cost Share: Beginning in the first year of the agreement, IAFF members will contribute an additional 2.0 percent of salary (up to maximum 6.0 percent when added to existing ongoing cost share) on a permanent and ongoing basis toward the employer's rate for the enhanced PERS pension benefit. This ongoing contribution replaces 2.0 percent of the temporary 3.2 percent IAFF members have been paying for the last two years. In addition to the maximum 6.0 percent contribution of the employer rate, IAFF members will also continue to pay the normal employee contribution (currently 9.0 percent) and the cost of the enhanced survivor's benefit (currently 0.366 percent).

Retirees' Health Trust Contribution: For Fiscal Year 2012-13, IAFF members will contribute 1.2 percent of salary toward the Retirees' Health Trust which funds the City's anticipated liability for retirees' health benefits. Beginning in Fiscal Year 2013-14, this contribution will become permanent and ongoing if the parties mutually agree to migrate to the CalPERS

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Health System for IAFF members. If the City does not transition to the CalPERS Health System, the 1.2 percent Other Post-Employment Benefits (OPEB) contribution will end on June 30, 2013.

Study of CalPERS Health System: Beginning in early Fiscal Year 2012-13, the City and IAFF will jointly study the possibility of migrating to the CalPERS Health System for IAFF members and qualified retirees (and possibly members of other bargaining units and their qualified retirees). If the study results determine that the interests of both parties can be met, then the City will enter into a contract with CalPERS for medical insurance for IAFF members and qualified retirees to begin as soon as is practicable, but no later than January 1, 2014. The MOU includes specific details about the scope and process for the study.

Vacation Accrual Caps: During Fiscal Year 2012-13, vacation accrual caps will be lowered for IAFF members as of December 31, 2012 and June 30, 2013. The maximum accrued vacation that employees will be allowed to accumulate will be approximately 12 percent to 17 percent less than the current caps, depending on years of service, resulting in an ongoing structural savings to the City.

Vacation Cash Out: In Fiscal Year 2012-13 and Fiscal Year 2013-14, IAFF members will be allowed to make one-time vacation cash outs at a 50 percent higher level than currently allowed. This will assist in alleviating potential operational and overtime cost impacts that could result from members needing to reduce their vacation balances below the phased-in lower accrual caps.

Deputy Fire Marshal: The Deputy Fire Marshal will receive a minimum of two hours of emergency overtime pay paid at double time when recalled for an emergency, similar to suppression personnel, instead of the current three hours minimum at one-and-one-half times pay.

FOBAR: The parties will continue to meet to review the discipline provisions of the MOU and revise them to be compliant with the Firefighters Procedural Bill of Rights (FOBAR) through a side letter to the new MOU that will be completed in Fiscal Year 2012-13.

CONCLUSION

The recommended resolution amending the MOU between the City of Mountain View and IAFF Local 1965 meets both short- and long-term interests for the City and the bargaining unit. The three-year agreement reduces City costs for leave, health and pension benefits on an ongoing basis. The agreement provides additional savings for at least one year due to a Fiscal Year 2012-13 cost share by IAFF members of future retirees' health costs. This savings may become an ongoing structural savings past Fiscal Year 2012-13 if the City and IAFF mutually agree to migrate IAFF members to the CalPERS Health System in Fiscal Year 2013-14. Such a migration may also result in lower annual premium costs to the City as current CalPERS

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Health System premiums are lower than current premiums for City health insurance plans. However, the complete short- and long-term impacts of migrating to the CalPERS Health System will not be known until completion of a joint study of the CalPERS Health System between the City and IAFF in Fiscal Year 2012-13.

City management appreciates IAFF's creativity in proposing a new mechanism for sharing long-term costs associated with retiree health benefits. This approach has not been widely adopted by other local government agencies and is an important method for helping ensure the affordability of long-term benefits. We further appreciate IAFF's work to address other City interests and to complete bargaining in a timely manner. We recommend adoption of the resolution.


PUBLIC NOTICING—Agenda posting.

Prepared by:

Approved by:



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Assistant City Manager



Daniel H. Rich
City Manager

MSD/9/CAM
610-06-12-12M-E^

CITY OF MOUNTAIN VIEW
RESOLUTION NO.
SERIES 2012

A RESOLUTION AUTHORIZING THE CITY MANAGER OR
HIS DESIGNEE TO AMEND THE MEMORANDUM OF UNDERSTANDING
BETWEEN THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS (IAFF),
LOCAL 1965, AND THE CITY, FOR THE PERIOD OF JULY 1, 2012
THROUGH JUNE 30, 2015, AND TO REVISE THE CITY'S SALARY PLAN
TO REFLECT THESE COMPENSATION CHANGES

WHEREAS, the City's current Memorandum of Understanding with IAFF (July 1, 2007 to June 30, 2011) will expire June 30, 2012, following a one year extension by side letter agreement; and

WHEREAS, a successor Memorandum of Understanding has been negotiated; and

WHEREAS, the provisions in the current Memorandum of Understanding that are changing or new provisions are summarized herein;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Mountain View approves the following amendments to the Memorandum of Understanding:

- *Term*
Three-year agreement (July 1, 2012 to June 30, 2015), incorporating operative amendments and extensions of the MOU.
- *Medical:*
Effective August 1, 2012, the parties agree to modify the current HMO medical insurance plan designs to the \$10 copay plan designs referred to as "Option 0" during bargaining.

Effective August 1, 2012, the City may offer an additional "high deductible health plan" option with both Kaiser and Health Net. For members who elect to participate in the high deductible health plan (HDHP) (if offered), the following contribution schedule will apply for FY 2012-13 through FY 2014-15. When an employee enrolls in a HDHP for the first time, the City will

contribute 100 percent of the plan deductible into the employee's Health Savings Account (HSA). During subsequent enrollment years, the City will contribute 50 percent of the plan deductible into the employee's HSA. If an employee leaves the HDHP and later returns, the City will contribute 50 percent of the plan deductible into the employee's HSA. Employees may contribute additional funds into their HSA up to the IRS annual maximums, for 2012: \$3,100 (self-only coverage); \$6,250 (one or more dependents). Unless the parties agree to migrate IAFF to the CalPERS medical system, the City will continue to offer the current Kaiser and Health Net employee medical plans throughout the course of the contract, and IAFF members will have no obligation to participate in the high deductible health plan, if offered. The parties further agree that if an existing plan becomes unavailable, the parties will meet and confer over establishing a replacement plan.

- *2 Percent COLA FY 2014-15:*

Effective the first pay period ending in July 2014, the City shall amend the salary plan to increase the salary ranges of all classifications in the bargaining unit by a 2 percent cost-of-living adjustment (COLA).

- *PERS Cost Share:*

Effective the first pay period ending in July 2012, IAFF members agree to contribute up to an additional 2 percent towards the employer's rate for the 3@50 enhanced retirement benefit, in addition to the increased contribution to the member's rate, to a maximum of 6 percent based on 50 percent of the Equalized Employer Rate above the base rate of 16.268 percent. In addition to this maximum 6 percent PERS cost share, IAFF members continue to contribute the cost of the enhanced survivor's benefit – currently 0.366 percent – and the employee-paid PERS member contribution – currently 9.0 percent.

- *OPEB Contribution:*

Effective the first pay period ending in July 2012, IAFF members agree to contribute 1.2 percent of salary towards the City's OPEB Trust obligation. This contribution will be accomplished through a salary deduction and the City will make the deduction on a pre-tax basis to the extent permitted under state and federal law. The City makes no representation as to the taxable nature of this deduction. The City and each employee shall retain liability for their respective tax obligations.

The 1.2 percent OPEB contribution is in addition to the PERS cost share

addressed under *PERS Cost Share*, above and in Section 7.01 of the MOU. The 1.2 percent OPEB contribution shall be ongoing unless the parties fail to reach agreement on a mutually agreeable transition to the CalPERS Health system for IAFF members by July 1, 2013 (recognizing the actual date of implementation may be later than July 1, 2013). If the parties do not reach agreement by July 1, 2013, the 1.2 percent OPEB contribution shall terminate on June 30, 2012. The parties may extend this deadline by voluntary, mutual agreement.

- *Study of PEMHCA:*

In the spirit of ensuring the long-term sustainability of medical benefits, the City and IAFF Local 1965 agree to jointly study the possibility of migrating IAFF members and qualified retirees (and possibly members of other bargaining units and their qualified retirees) to the CalPERS Health system (commonly referred to as PEMHCA). Based on limited currently available information, the parties believe that it may be possible to meet the interests of both IAFF and the City (as further described below) and commit to conducting the study in a collaborative manner. The parties agree to meet and confer over moving to PEMHCA, however participation in the study or negotiations will not be understood as an agreement (tacit or otherwise) to migrate to the CalPERS Health system. The parties intend the process to be a serious consideration of the CalPERS Health system which may lead to an agreement to replace existing medical insurance benefits with that system. No impasse resolution procedures will apply except by mutual consent. Any agreement to move to PEMHCA must be through voluntary, mutual consent of the City and IAFF. The parties intend to allow IAFF to migrate to PEMHCA if the study determines the transition to be cost effective based on short term and long term analysis.

The purpose of the study will be to determine whether migrating to the CalPERS Health system to provide medical insurance for the members of the bargaining unit represented by IAFF, other City bargaining units, and their affiliated retirees could be done in a cost-effective and responsible manner. IAFF has a strong interest in considering the CalPERS Health system because IAFF believes the CalPERS health system offers a more sustainable long term approach to providing medical benefits; additionally, its lower premium rates may create the possibility of covering dependents for some IAFF retirees without additional cost to the City. The City has a strong interest in maintaining an employee medical insurance program which provides adequate coverage for employees and their dependents without increasing

the City's annual cost of employee and retiree medical benefits (including the Annual Required Contribution or ARC), or increasing long term or actuarial liabilities.

The study will include the appointment of a Study Committee, appointment of an outside consultant, preparation of a recommendation (with a timeline goal of no later than December 1, 2012), followed by the parties' good faith consideration of the Committee's recommendation. The focus of the study shall be the equal contribution vesting option in California Government Code Section 22893. The PEMHCA Study Committee will jointly present the report and findings of the study to the City Council in a study session as soon as possible following completion of the study.

The parties will consider the recommendations of the Study Committee in good faith. Good faith consideration does not mean that either party will agree to or support migration to the CalPERS Health system. However, good faith consideration does mean review and consideration of the report with the intention of migrating to the CalPERS Health system if the parties' interests, including the City's interest in avoiding the creation of additional costs or actuarial or long-term liabilities, can be met.

IAFF agrees to contribute 50 percent of the cost of the study related to IAFF members. If the parties mutually agree to contract with CalPERS to provide medical insurance coverage for IAFF members, the City will enter into a contract with CalPERS for coverage to begin as soon as is practicable, but no later than on January 1, 2014.

- *Vacation Accrual Caps:*

- Fire Suppression

- Effective December 31, 2012 and June 30, 2013, maximum vacation caps for all IAFF members in suppression will be as follows:

Years of Service	Cap as of December 31, 2012	Cap as of June 30, 2013
0-5	440	400
6-15	540	500
16+	640	600

40 Hour Work Week

Effective December 31, 2012 and June 30, 2013, maximum vacation caps for Deputy Fire Marshals and other IAFF members scheduled on a 40 hour work week, will be as follows:

Years of Service	Cap as of December 31, 2012	Cap as of June 30, 2013
0-5	220	200
6-9	290	260
10-15	370	330
16+	440	400

If a member does not reduce his/her balance in accordance with the schedules above, the member will cease to accrue vacation until below the maximum cap. Any existing vacation amounts above the caps will remain until used or paid. As long as a member's balance is below the maximum cap, their rate of accrual continues as described in Sections 5.01.01 and 5.01.02 of the MOU.

- *Vacation Cash Out*

The parties agree to a one-time increase in maximum vacation cash-out for FY 2012-13 and FY 2013-14 equivalent to a 50 percent increase in the current allowable vacation cash-out. For suppression personnel, maximum allowable vacation cashout for FY 2012-13 and FY 2013-14 will be 180 hours. For Deputy Fire Marshals and other IAFF members scheduled on a 40 Hour Work Week, maximum allowable will be 90 hours in FY 2012-13 and FY 2013-14. All other provisions of existing vacation cash out rules will still apply.

- *Deputy Fire Marshal:*

The parties agree to modify Section 4.03 "Emergency Overtime" to allow Deputy Fire Marshals who are recalled due to an emergency to receive a minimum of two (2) hours of emergency overtime pay paid at double time as is currently the practice for Suppression personnel in emergency recall situations.

- *Firefighters Procedural Bill of Rights*

The parties agree to continue to meet to discuss modifications to the discipline provisions of the MOU required for those provisions to be compliant with the Firefighters Procedural Bill of Rights. Once agreement is

reached regarding necessary changes to the disciplinary procedure, the parties will reduce the agreement to a side letter to the MOU. This is anticipated to be complete by the end of FY 2012-13.

- *Training Captain Position*

The proposed FY 2012-13 budget recommends eliminating a vacant Deputy Fire Marshal position represented by the bargaining unit as part of a comprehensive restructuring effort to consolidate Fire and Police Department support services. When the number of budgeted Battalion Chief positions is reduced from four to three, City management will staff a new Fire Captain position represented by MVFF.

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